

WRITTEN STATEMENT ON THE COMMERCE DEPARTMENT'S
FY 2007 BUDGET BY COMMERCE SECRETARY CARLOS GUTIERREZ
SENATE APPROPRIATIONS SUBCOMMITTEE ON COMMERCE, JUSTICE,
SCIENCE, AND RELATED AGENCIES

Mr. Chairman and Members of the Subcommittee, I am pleased to appear before you today to present the President's Budget request for economic, scientific, technological, and environmental programs of the Department of Commerce. Our request of \$6.1 billion in discretionary funds reflects both the Administration's commitment to promote and sustain economic growth and opportunity, and the need to restrain discretionary Federal spending. Enactment of this budget will enable the Department to effectively support its diverse mission, including programs that promote strong and equitable trade relationships; improve our scientific and technological capabilities; protect intellectual property rights; upgrade our capabilities for weather observations and forecasting; and, ensure the long-term economic and ecological sustainability of our natural resources.

I would like to highlight some of the work our bureaus have planned in the FY 2007 President's Budget. Each bureau within the Department supports one of three strategic goals; I will address each bureau within its relevant goal.

Foster science and technological leadership by protecting intellectual property, enhancing technical standards, and advancing measurement science.

The National Institute of Standards and Technology is a high-leverage Federal research agency that performs high-impact basic research and contributes to the development of economically significant innovations in areas such as new materials and processes, electronics, information technology and advanced computing processes, advanced manufacturing integration, biotechnology, nanotechnology, and new energy sources such as hydrogen. In his State of the Union Address, President Bush announced the American Competitiveness Initiative (ACI), which provides an agenda for maintaining our leadership in intellectual and human capital, two areas that significantly contribute to our nation's innovation capacity. A centerpiece of the ACI is the President's strong commitment to double investment over ten years in the key Federal agencies that support basic research in the physical sciences – the National Science Foundation, the Department of Energy's Office of Science, and the Department of Commerce's National Institute of Standards and Technology (NIST). The President's FY 2007 Budget requests \$581 million for NIST. To start implementation of the ACI, the request includes an increase of \$104 million for NIST core activities (laboratory programs and facilities, less congressionally-directed projects).

NIST accomplishments in high-impact basic research are evidenced by the three Nobel Prizes that have been awarded to its scientists in the last decade. NIST research has led to innovations that we can see today, from the high-density magnetic storage technology that makes devices such as computer hard drives and mp3 players so compact, to protective body armor for law enforcement officers and diagnostic screening for cancer patients.

NIST also plays a critical role in developing standards that are used by the private and public sectors. In FY 2007, NIST will seek to focus 3,900 scientists and engineers from government, industry, and universities – an increase of 600 researchers over FY 2006 – on meeting the Nation’s most urgent measurement science and standards needs to speed innovation and improve U.S. competitiveness.

Also in the NIST budget, the President is requesting \$46.3 million to fund the Hollings Manufacturing Extension Partnership (MEP) program. This is a reduction from the FY 2006 enacted level that would be made in order to address the Nation’s most pressing funding needs in this austere fiscal environment. NIST will focus the FY 2007 MEP funding to maintain an effective network of centers with an emphasis on activities that promote innovation and competitiveness in small manufacturers.

No FY 2007 funds, however, are requested for the Advanced Technology Program (ATP). The FY 2006 appropriations for ATP and estimated recoveries will be sufficient to meet all existing obligations and to phase out the program.

The Technology Administration (TA), which includes the National Institute of Standards and Technology (NIST) and the National Technical Information Service (NTIS), seeks to maximize technology’s contribution to economic growth, high-wage job creation, and the social well-being of the United States. In FY 2007, the key administrative and policy operations within the Office of the Under Secretary will be streamlined. TA will remain an effective advocate for technology within the Department of Commerce. TA, for instance, was the lead office at the Commerce Department responsible for working on the recent competitiveness summit hosted at the Department.

The U.S. Patent and Trademark Office (PTO) promotes the research, development, and application of new technologies by protecting inventors’ rights to their intellectual property through the issuance of patents. The PTO also enables businesses and consumers to clearly identify specific products through the issuance of trademarks. In the United States, intellectual property-intensive industries – the biotechnology and information technology sectors, for example – account for over half of all U.S. exports, represent 40 percent of our economic growth, and employ 18 million Americans whose wages are 40 percent higher than the U.S. average. PTO has launched a vigorous reform effort aimed at enabling the Office to examine patent and trademark applications in a more timely manner, without compromising quality. The President’s FY 2007 Budget request of \$1.84 billion in spending authority for the PTO includes increases for both patent and trademark processes. By hiring additional examiners, refining the electronic patent application filing and processing system, improving quality assurance programs, and implementing higher standards for examiner certification and recertification now, the PTO will significantly reduce application processing time and increase the quality of its products and services in the out-years. Consistent with recent years, the Department proposes to fund the PTO budget exclusively through offsetting fee collections.

The National Telecommunications and Information Agency (NTIA) develops telecommunications and information policy, manages the Federal radio spectrum, and performs telecommunications research, engineering, and planning. The Department's request for NTIA supports its core activities and eliminates all new funding for Public Telecommunications Facilities, Planning & Construction, as funds for those activities are available from other sources.

The Digital Television Transition and Public Safety Fund, created by the Deficit Reduction Act of 2005, funds a number of programs with the auction proceeds of electromagnetic spectrum recovered from discontinued analog television signals. Programs supported by this Fund in FY 2007 will provide consumers with vouchers to aid in their purchase of digital-to-analog television converter boxes, assist public safety agencies in acquiring interoperable communications systems, and support an interim digital television broadcast system for New York City. In 2007, most activity will be related to planning for these programs, with actual grant making expected to begin in 2008.

Observe, protect and manage the earth's resources to promote environmental stewardship.

The 2005 Atlantic hurricane season was the busiest on record and extended the current period of increased hurricane activity which began in 1995 – a trend likely to continue for years to come. This season shattered records that have stood for decades – the most named storms, most hurricanes, and most category five storms. Arguably, it was the most devastating hurricane season the country has experienced in modern times. The devastation along the Gulf Coast from Hurricanes Katrina, Rita, and Wilma is like nothing I have witnessed before. It is catastrophic. Words cannot convey the physical destruction and personal suffering in that part of our nation.

The Department, including the National Oceanic and Atmospheric Administration (NOAA), Minority Business Development Agency (MBDA), NTIA, and Census, has served a critical role in the repair and recovery of the region. I am committed to utilizing the tools and expertise of the Department to facilitate the resurgence of the Gulf Coast region. I would also like to recognize the efforts of the professionals at NOAA for their timely and accurate predictions, which prevented further loss of life. Hurricane forecasts for Katrina and Rita were more accurate than ever for storm track, size, intensity, surge, and warning lead time, allowing for evacuation of 80 percent of New Orleans and 90 percent of Galveston. This is a key component of NOAA's mission to understand and predict changes in the Earth's environment, as well as to conserve and manage coastal and marine resources to meet our Nation's economic, social, and environmental needs. NOAA continues to apply its scientific and technological expertise to a wide range of issues that serve to expand our knowledge of the world around us and strengthen our economic prosperity.

Data from NOAA's satellites are essential to public safety and the economy. Weather and climate-sensitive industries, both directly and indirectly, account for approximately \$3 trillion of the U.S. Gross Domestic Product. Average annual damage from tornadoes,

hurricanes, and floods is \$11.4 billion. The Geostationary Operational Environmental Satellites (GOES) serve as some of the key sentinels that observe hurricanes and other severe weather. The President's FY 2007 Budget request includes an increase of \$113 million to continue the GOES-R series system acquisition, which will have key enhancements over the GOES-N platform.

In addition to the geostationary satellites, NOAA is also a participant in the National Polar-Orbiting Environmental Satellite System (NPOESS), which will replace the current Polar-Orbiting Environmental Satellite (POES) program. The Department requests an increase of \$20 million for NOAA's share of this tri-party system (Air Force, NOAA, NASA), which will deliver more accurate atmospheric and oceanographic data to support medium- to long-range weather forecasts and severe storm warnings, further reducing loss of life and property.

The NPOESS request is based on the funding profile from last year's Budget. As you know, the NPOESS program has experienced schedule slippage and higher costs than we expected. We are currently participating in the Nunn-McCurdy review being conducted by the Department of Defense, which will be completed in June. In addition, the Government Accountability Office and our Office of Inspector General are reviewing the program. We will keep the Committee informed of the results of these reviews and our plans going forward, including any impact on our FY 2007 request or out-year estimates. Our goal will be to ensure the best possible approach for meeting the Nation's civilian and military meteorological needs and protecting the taxpayer.

As part of the National Weather Service's overall plan to improve the timeliness and accuracy for all weather-related hazards, the Department requests \$12.4 million to sustain our commitment to the U.S. Tsunami Warning System. This funding level will be used to operate and maintain the equipment and networks created following the 2004 Indian Ocean Tsunami. I wish to thank this Committee for its support of the Administration's tsunami warning initiative in the FY 2005 supplemental and the FY 2006 appropriation.

Construction will continue in FY 2007 on the NOAA Center for Weather and Climate Prediction, which just had its groundbreaking. With the requested increase of \$11 million, the facility will be ready to start operations in 2008. This project is a key component of the NWS' effort to improve its weather and climate modeling performance, to accelerate the transfer of newly developed scientific information into operations, and to improve the use of global environmental satellite data.

NOAA also serves as the lead coordinating agency for the U.S. Climate Change Science Program (CCSP), which integrates a broad range of climate-related observations, field studies and computer model projections sponsored by 13 federal agencies. CCSP has a goal of substantially improved understanding of both the causes and the potential effects of climate variability and change, on time scales extending from weeks to decades. NOAA's mission also includes the implementation of climate predictive and interpretive services for a wide range of applications, thereby providing significant benefits to users in several sectors of the economy.

Through the National Marine Fisheries Service (NMFS), the Department proposes an increase of \$19.7 million for activities in the Gulf of Mexico. As the Gulf region rebuilds, these programs will ensure that adequate science and management resources are available to promote and support sustainable and robust fisheries. Also within NMFS, the Department requests \$6 million for the Open Rivers Initiative (ORI). ORI will remove obsolete river barriers in coastal states, thus enhancing populations of key NOAA trust species and supporting the President's Cooperative Conservation Initiative.

Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers.

The Economic Development Administration (EDA) supports the federal economic development agenda by promoting innovation and competitiveness and preparing American regions for growth and success in the worldwide economy. The President's FY 2007 Budget expands EDA's Economic Development Assistance Programs by \$47 million to \$297 million and streamlines the program to reflect the Administration's emphasis on regional development strategies, innovation, and entrepreneurship. Regions and communities can achieve significant competitive advantage by identifying and then aligning research, educational infrastructure, and private activities around fields in which they have unique strengths. Four of EDA's programs, representing the majority of EDA's funding, will be merged into a new Regional Development Account that will administer their competitive grant component, including support for University Centers.

The Economics and Statistics Administration (ESA) promotes the understanding of the U.S. economy and its competitive position. ESA's Bureau of Economic Analysis (BEA) provides key objective data on the Nation's economic condition, including the Gross Domestic Product (GDP), in a timely and cost-effective manner. The Department requests \$80.5 million to maintain the level of funding ESA Headquarters and BEA need to efficiently and accurately provide these statistics, as well as research and policy analysis, that are critical to public and private sector decision-making.

The Census Bureau serves as the leading source of quality data about the Nation's people and economy. The President's FY 2007 Budget requests \$878 million in discretionary funds for the Census Bureau, of which the largest component is the 2010 Decennial Census Program. The re-engineering of the decennial census has made great strides: the annual American Community Survey has been fully implemented to replace the once-a-decade long form, the modernization of the geographic database of all U.S. counties is over halfway complete, and the technological developments for the short-form-only decennial census are progressing on schedule.

In 2007, only three years out from Census Day 2010, the extensive planning, testing, and development activities related to the short form consume the majority of the decennial budget – a trend that will continue through 2010. In addition to continued preparation for the 2010 Decennial Census, FY 2007 will see increased activity for the Economic Census and the Census of Governments, the five-year snapshots of our economy that provide critical data.

The rapid world-wide development and transfer of technology present great opportunities and risk to the United States' economic and national security. The Bureau of Industry and Security (BIS) regulates the export of sensitive goods and technologies, striking a balance between those economic opportunities and the security of the United States. The President's FY 2007 Budget requests \$78.6 million to enable BIS to effectively carry out this mission. The proposed budget includes a \$0.3 million increase for modernization of the Export Control Automated Support System, which is the tool used to process export licenses.

The International Trade Administration (ITA) supports U.S. commercial interests at home and abroad by strengthening the competitiveness of American industries and workers, promoting international trade, opening foreign markets to U.S. businesses, and ensuring compliance with domestic and international trade laws and agreements. ITA conducts domestic and international analyses to ensure that the U.S. manufacturing and service sectors can compete effectively and meet the demands of global supply chains, and to understand the competitive impact of regulatory and economic changes. ITA directly supports U.S. businesses via a Trade Information Center that provides customers a single point of access to ITA's programs and services. The President's FY 2007 Budget requests \$409 million for ITA, which includes an increase of \$2 million to support the President's Asia-Pacific Partnership on Clean Development and Climate. This partnership will accelerate the development and deployment of clean technologies among partner countries. Commerce's role will be to promote the use of American products and technologies in Australia, China, India, Japan, and South Korea by providing U.S. firms with market research on those countries and coordinating trade missions to those countries.

The Minority Business Development Agency (MBDA) focuses on accelerating the competitiveness and growth of minority-owned businesses by helping to close the gaps in economic opportunities and capital access. The President's FY 2007 Budget requests \$29.6 million to enable MBDA to continue pursuing additional avenues to leverage resources and expand the availability of services to minority business enterprises.

Achieve organizational and management excellence.

The Department's headquarters building, the Herbert C. Hoover Building (HCHB), is in critical need of major renovation and modernization. The 73-year-old HCHB is one of the last historic buildings in the Federal Triangle to be scheduled for renovation and modernization. The Department is requesting \$18 million to correct basic health and safety code deficiencies, replace failing mechanical, electrical, and plumbing systems, and incorporate major security upgrades. In addition to the renovation, the Department also requests \$5.9 million for the installation of blast resistant windows for one-third of the HCHB.

Departmental Management (DM), in addition to funding the Offices of the Secretary and the Deputy Secretary, develops and implements policy, administers internal operations, and serves as the primary liaison to other executive branch agencies, Congress, and private sector entities. The Office of the Inspector General (OIG) is charged with

promoting economy and efficiency, and detecting and preventing fraud, waste, and abuse. The President's FY 2007 Budget request continues to support these objectives.

Conclusion

The President has submitted a budget that implements the Department's mission in a manner that maximizes benefits to our public. The Department of Commerce is home to a diverse collection of agencies, each with a unique area of expertise and a wide array of needs, tied together in a common commitment to ensure an environment exists that allows us to lead the world in competitiveness and innovation. The President's FY 2007 Budget successfully addresses those needs in an efficient manner, mindful of the fiscal restraint required to sustain our economic prosperity. I look forward to working with the Committee to ensure that together we are providing the best services to the American people.